

Gas Daily

Friday, October 19, 2012

NYMEX jumps 11.7 cents; cash movements vary

THE MARKET Ignoring a modestly bearish gas storage report, the NYMEX November gas futures contract jumped 11.7 cents Thursday to settle at \$3.587/MMBtu. Cash prices generally responded to regional weather patterns.

The report of a 51-Bcf storage build (see story, this page) "was a test for the market, and we passed the test," said Citi Futures Perspective analyst Tim Evans. If the contract fails to drop on unreported storage data, "it must, therefore, be a bull market."

(continued on page 2)

Storage nears 3.8 Tcf with 3 weeks left in season

A 51-Bcf gas storage injection increased inventories to 3.776 Tcf with three weeks left in the traditional refill season, the Energy Information Administration said Thursday.

The build for the week ending October 12 was close to consensus expectations between 46 Bcf and 50 Bcf. But it was below the five-year average of 71 Bcf and much smaller than last year's 106-Bcf injection.

As a result, the 236-Bcf surplus to the year-ago level of 3.595 Tcf fell to 181 Bcf, while the 269-Bcf surplus to the five-year average of

(continued on page 7)

API blasts 'sloppy' EPA work on Pavillion study

The American Petroleum Institute on Thursday blasted the Environmental Protection Agency for "sloppy" work in its investigation that linked hydraulic fracturing near Pavillion, Wyoming, to drinking water contamination.

"They need to start from scratch," Erik Milito, API's upstream director, said in a conference call with reporters.

EPA says data it collected last spring from two monitoring wells it drilled — and from several privately owned water wells — was "gener-

(continued on page 5)

FERC set to streamline filing rules for pipelines

The Federal Energy Regulatory Commission on Thursday proposed streamlining the reporting rules for gas and oil pipelines as part of its effort "to eliminate requirements that impose an unnecessary burden on regulated entities."

The first proposal (RM12-14) would change requirements for gas pipelines that use an annual charge adjustment, or ACA, to pay for FERC's annual fees. The commission collects these fees every year to pay for its operations.

(continued on page 4)

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 3.410

Trans. date: 10/ 18

Flow date(s): 10/ 19

Midpoint +/- Absolute Common Volume Deals

Permian Basin Area

El Paso, Permian	3.280	+0.035	3.24-3.31	3.26-3.30	739	99
Waha	3.270	+0.040	3.24-3.30	3.26-3.29	355	48
Transwestern, Permian	3.280	+0.015	3.26-3.31	3.27-3.29	30	5

East Texas-North Louisiana Area

Carthage Hub	3.045	-0.055	3.04-3.06	3.04-3.05	6	3
NGPL, Texok zone	3.275	+0.045	3.20-3.30	3.25-3.30	247	47
Tx. Eastern, ETX	3.260	+0.035	3.23-3.30	3.24-3.28	23	8
Tx. Gas, zone 1	3.280	+0.045	3.26-3.30	3.27-3.29	207	31

East-Houston-Katy

Houston Ship Channel	3.210	+0.020	3.18-3.29	3.18-3.24	98	16
Katy	3.260	+0.045	3.24-3.28	3.25-3.27	531	53

South-Corpus Christi

Agua Dulce Hub	3.315	+0.025	3.26-3.38	3.29-3.35	78	7
NGPL, STX	3.265	+0.005	3.25-3.28	3.26-3.27	81	18
Tennessee, zone 0	3.275	+0.065	3.23-3.31	3.26-3.30	384	74
Tx. Eastern, STX	3.245	+0.065	3.23-3.25	3.24-3.25	75	5
Transco, zone 1	3.235	+0.025	3.22-3.26	3.23-3.25	153	18

Louisiana-Onshore South

ANR, La.	3.275	+0.060	3.23-3.30	3.26-3.29	139	30
Columbia Gulf, La.	3.270	+0.055	3.26-3.30	3.26-3.28	160	33
Columbia Gulf, mainline	3.275	+0.060	3.24-3.30	3.26-3.29	405	62
Florida Gas, zone 1	3.310	+0.045	3.27-3.33	3.30-3.33	10	2
Florida Gas, zone 2	3.320	+0.065	3.28-3.34	3.31-3.34	88	5
Florida Gas, zone 3	3.615	+0.000	3.34-3.69	3.53-3.69	120	18
Henry Hub	3.280	+0.040	3.22-3.37	3.24-3.32	1036	131
Southern Natural, La.	3.305	+0.060	3.26-3.34	3.29-3.33	219	28
Tennessee, 500 Leg	3.320	+0.085	3.28-3.36	3.30-3.34	205	39
Tennessee, 800 Leg	3.285	+0.050	3.25-3.32	3.27-3.30	99	25
Tx. Eastern, WLA	3.245	+0.020	3.18-3.26	3.23-3.26	38	13
Tx. Eastern, ELA	3.230	+0.025	3.21-3.28	3.21-3.25	89	26
Tx. Gas, zone SL	3.290	+0.025	3.29-3.29	3.29-3.29	2	1
Transco, zone 2	3.255	+0.025	3.23-3.28	3.24-3.27	48	9
Transco, zone 3	3.295	+0.035	3.27-3.32	3.28-3.31	143	24
Trunkline, WLA	3.285	+0.045	3.27-3.29	3.28-3.29	29	7
Trunkline, ELA	3.240	+0.040	3.23-3.30	3.23-3.26	9	6

Oklahoma

ANR, Okla.	3.230	+0.035	3.20-3.25	3.22-3.24	26	4
CenterPoint, East	3.205	+0.060	3.16-3.25	3.18-3.23	173	29
NGPL, Midcontinent	3.275	+0.030	3.25-3.30	3.26-3.29	212	39
Oneok, Okla.	3.125	+0.065	3.08-3.15	3.11-3.14	193	24
Panhandle, Tx.-Okla.	3.205	+0.050	3.14-3.24	3.18-3.23	445	72
Southern Star	3.185	+0.000	3.15-3.19	3.18-3.19	44	8

New Mexico-San Juan Basin

El Paso, Bondad	3.280	+0.040	3.27-3.32	3.27-3.29	134	18
El Paso, San Juan	3.285	+0.030	3.25-3.32	3.27-3.30	366	60
Transwestern, San Juan	3.280	+0.020	3.25-3.32	3.26-3.30	76	12

Rockies

CLG, Rockies	3.285	+0.020	3.26-3.32	3.27-3.30	26	9
Kem River, Opal	3.390	+0.050	3.34-3.44	3.37-3.42	762	115
Stanfield, Ore.	3.440	+0.070	3.43-3.45	3.44-3.45	89	12
Questar, Rockies	3.280	+0.055	3.28-3.28	3.28-3.28	35	6
Cheyenne Hub	3.315	+0.020	3.28-3.34	3.30-3.33	85	12

NYMEX jumps 11.7 cents; cash mixed ... from page 1

Barclays Capital analysts said the contract got a lift from increased gas burn for power generation amid "larger nuclear outages and recent incremental coal plant retirements as a result of low gas prices."

In the cash market, Southwest prices were mixed, with Southern California Gas points taking a hit as an operational flow order was declared.

SoCal Gas will limit all receipt point nominations up to the total system capacity for the intraday 1 and intraday 2 cycles for Friday's gas day. Customers must ensure all deliveries into the system are within 110% of expected usage or SoCal Gas will assess buy-back charges.

As such, SoCal Gas' Ehrenberg point fell 9 cents to average in the mid-\$3.50s on IntercontinentalExchange, and SoCal-Needles dropped 7 cents to average a couple of cents lower than Ehrenberg. The SoCal city-gate dropped 8 cents.

Mild temperature forecasts also contributed to the lower prices, with Los Angeles' forecast to see a high temperature of 76 degrees Friday and a high of 72 Saturday, compared with the seasonal average of 78.

Pacific Gas & Electric's city-gate rose 2 cents to average in the low \$4.00s, making it one of North America's highest prices and widening its premium to SoCal's city-gate to 34 cents Thursday from 24 cents Wednesday.

Eastern pipelines issue imbalance warnings

To the north, prices continued to rise as some cold weather was forecast for the Pacific Northwest and western Canada. Gas Transmission Northwest's Stanfield point rose 7 cents, while Opal was lifted 5 cents to average in the high \$3.30s.

Northwest Pipeline's Wyoming Pool rose 5 cents, widening the point's premium to Northwest's Rocky Mountain Pool to 6 cents Thursday from 2 cents Wednesday.

Price movements were mixed on the other side of the country, with New England cash falling again. The Algonquin Gas Transmission city-gates averaged around \$3.80 after a 6-cent drop and Tennessee Gas Pipeline zone 6 was in the mid-\$3.80s after a roughly 12-cent decline.

Warmer-than-average temperatures in New York, Philadelphia and Washington did not keep prices from gaining about 5 cents, including at Transcontinental Gas Pipe Line zone 6-New York and Texas Eastern Transmission zone M3, which averaged on par with each other.

Texas Eastern and Algonquin each issued an imbalance warning "due to forecasted lower demand" and effective Saturday morning will require point operators keep to scheduled quantities.

In Appalachia, Columbia Gas Transmission saw one of the largest upticks as it rose 7 cents.

Along the Gulf Coast, Henry Hub increased almost 5 cents to average in the high \$3.20s as traded volumes increased more than 266,000 Mcf to total more than 906,000 Mcf on IntercontinentalExchange.

Fairly seasonable temperatures are expected through much of the region on Friday, with the exception of Houston and Orlando, where highs will be several degrees above average.

Florida Gas Transmission zone 3 bucked the regional trend and remained flat.

Upper Midwest cash rose as temperatures in the region fell. Chicago's forecast to have highs in the low 50s Friday, 10 degrees below seasonal norms.

The resulting spike in heating demand pushed prices higher at the Chicago city-gates as they added nearly 15 cents. Consumers Energy and Michigan Consolidated increased about 5 cents.

Midcontinent prices increased as well, with Oklahoma Gas

Daily price survey (\$/MMBtu)

Trans. date:	10/ 18					
Flow date(s):	10/ 19					
	Midpoint	+/-	Absolute	Common	Volume	Deals
NW, Wyo. Pool	3.365	+0.055	3.34-3.42	3.35-3.39	190	23
NW, s. of Green River	3.305	+0.020	3.28-3.32	3.30-3.32	155	25
White River Hub	3.315	+0.020	3.27-3.34	3.30-3.33	26	6
Canadian Gas						
Iroquois, receipts	3.830	-0.110	3.77-3.87	3.81-3.86	153	31
Niagara	—	—	—	—	—	—
NW, Can. bdr. (Sumas)	3.450	-0.020	3.44-3.46	3.45-3.46	123	22
TCPL Alberta, AECO-C*	3.015	C+0.120	C2.99-3.13	C2.99-3.05	1497	131
Emerson, Viking GL	3.500	-0.005	3.41-3.53	3.47-3.53	477	62
Dawn, Ontario	3.585	-0.040	3.29-3.66	3.49-3.66	793	98
GTN, Kingsgate	3.395	+0.065	3.38-3.41	3.39-3.40	147	19
Westcoast, station 2*	C2.985	C+0.130	C2.95-2.99	C2.98-2.99	166	27
Appalachia						
Dominion, North Point	3.340	+0.030	3.34-3.34	3.34-3.34	32	2
Dominion, South Point	3.360	+0.060	3.28-3.39	3.33-3.39	697	112
Leidy Hub	3.415	+0.045	3.40-3.43	3.41-3.42	33	5
Columbia Gas, App.	3.365	+0.065	3.33-3.39	3.35-3.38	608	90
Lebanon Hub	3.440	+0.035	3.40-3.48	3.42-3.46	82	17
REX, Clarington Ohio	3.455	+0.050	3.44-3.48	3.45-3.47	93	12
Tennessee, zone 4-Ohio	—	—	—	—	—	—
Tennessee, zone 4-300 leg	3.295	+0.045	3.27-3.31	3.29-3.31	112	23
Texas Eastern, M-2 receipts	3.305	+0.055	3.23-3.34	3.28-3.33	277	42
Millennium, East receipts	3.370	+0.030	3.35-3.39	3.36-3.38	12	4
Mississippi-Alabama						
Tx. Eastern, M-1 30-in.	3.250	+0.025	3.23-3.29	3.24-3.27	115	31
Transco, zone 4	3.325	+0.070	3.29-3.35	3.31-3.34	443	56
Others						
Algonquin, receipts	3.470	+0.070	3.47-3.47	3.47-3.47	10	1
El Paso, South Mainline	3.550	-0.135	3.54-3.56	3.55-3.56	20	3
SoCal Gas	3.545	-0.085	3.50-3.58	3.53-3.57	508	63
PG&E, South	3.530	-0.070	3.45-3.56	3.50-3.56	240	30
PG&E, Malin	3.465	+0.065	3.45-3.49	3.46-3.48	257	38
Alliance, into interstates	3.530	+0.070	3.50-3.61	3.50-3.56	269	39
ANR, ML 7	3.525	+0.015	3.48-3.58	3.50-3.55	84	11
NGPL, Amarillo receipt	3.440	+0.030	3.42-3.45	3.43-3.45	42	5
Northern, Ventura	3.495	+0.080	3.42-3.53	3.47-3.52	189	32
Northern, demarc	3.495	+0.080	3.41-3.52	3.47-3.52	189	32
Dracut, Mass.	3.650	-0.200	3.65-3.65	3.65-3.65	1	1
Tx. Eastern, M-1 24-in.	3.330	+0.090	3.33-3.33	3.33-3.33	3	1
Northern Bdr., Ventura TP	3.495	+0.080	3.43-3.53	3.47-3.52	135	20
Trunkline, zone 1A	3.285	+0.065	3.28-3.30	3.28-3.29	42	8
City-gates						
Chicago city-gates	3.565	+0.140	3.48-3.61	3.53-3.60	1432	156
Consumers city-gate	3.510	+0.025	3.47-3.62	3.47-3.55	58	21
Mich Con city-gate	3.540	+0.045	3.45-3.60	3.50-3.58	720	97
PG&E city-gate	4.020	+0.020	4.00-4.05	4.01-4.03	793	90
Florida city-gates	3.950	+0.020	3.94-3.95	3.95-3.95	81	4
Algonquin, city-gates	3.805	-0.060	3.60-3.92	3.73-3.89	405	77
Tennessee, zone 6 del.	3.845	-0.115	3.45-3.95	3.72-3.95	266	46
Iroquois, zone 2	3.890	-0.040	3.82-3.93	3.86-3.92	229	40
Tx. Eastern, M-3	3.490	+0.040	3.44-3.51	3.47-3.51	921	135
Transco, zone 5 del.	3.455	+0.070	3.43-3.48	3.44-3.47	163	20
Transco, zone 6 non-N.Y.	3.445	+0.050	3.40-3.47	3.43-3.46	145	36
Transco, zone 6 N.Y.	3.475	+0.055	3.43-3.53	3.45-3.50	246	36
Kem River, delivered	3.550	-0.110	3.53-3.58	3.54-3.56	89	15
SoCal Gas, city-gate	3.680	-0.080	3.66-3.71	3.67-3.69	437	44

*NOTE: Price in C\$ per gj; C\$1=US\$1.0196

Volume in 000 MMBtu/ day

Market coverage

More information about Platts' natural gas market coverage, including explanations of methodology and descriptions of delivery points, is available at: <http://www.platts.com/MethodologyAndSpecifications/NaturalGas>

Questions may also be directed to our market editor, Tom Castleman, (713) 658-3263, tom_castleman@platts.com.

Transmission's Oneok zone and CenterPoint Energy Gas Transmission East zone climbing more than 5 cents.

Meanwhile, Carthage Hub posted one of the region's only losses, giving up around 5 cents.

— *Market Staff Reports*

Green groups push regulation of fracking wastewater

Hydraulic fracturing has been exempted from many of the requirements of the Clean Water Act, but environmental groups want Congress to change that to better protect drinking water supplies and watersheds.

Beyond fracking, the environmental groups said this week that Congress and federal agencies need to broaden their consideration of water issues when passing laws, promulgating regulations or offering incentives for water development.

One way environmental groups have used CWA to limit dirty fracking waste has been to sue sewage treatment plant operators that treat wastewater from drilling operations. While that strategy has proved successful on a limited scale, it is not enough, they said on the 40th anniversary of the landmark CWA's passage.

"An obvious way to protect our water bodies would be to amend the Clean Water Act to take the exemption out for fracking because there's really no reason that any industrial activity like fracking that's from a clearly identifiable source should not have to comply with Clean Water Act requirements," said Karl Coplan, a law professor at Pace University, on a conference call hosted by the Natural Resources Defense Council, the National Wildlife Federation and Clean Water Action.

The drilling completion practice has generated many concerns from environmental groups and communities about its impact on aquifers and water supplies, but the CWA only governs the disposal of flowback into surface waters.

Clean Water Action and Three Rivers Waterkeeper recently settled a lawsuit with the city of McKeesport, Pennsylvania, in which the groups had sued the city under the CWA to force the municipal treatment sewage plant not to accept fracking wastewater for treatment.

The Pennsylvania Department of Environmental Protection banned the treatment of wastewater at municipal treatment facilities in April of last year (GD 4/20/11).

Earlier this summer, New Jersey approved legislation that would ban the treatment or storage of fracking wastewater in the state.

Energy development often has critical impacts on water supplies, but too often policymakers focus on just one, without considering tradeoffs for the other, according to Steve Fleischli, a senior attorney for water programs at NRDC who works on power-plant cooling issues.

"Energy withdraws more water than any other use in the United States," he said. "I personally feel — and our science shows — that our energy system is vulnerable because of changes in water availability and water temperature. And, especially in the face of climate change, that's going to be an increasingly important issue for us to focus on."

The environmental groups were backed up by a report released Monday by the Government Accountability Office, which found that energy and water planning is typically "stove-piped."

GAO, the investigative arm of Congress, recommended that the Department of Energy establish a program to address energy development's impacts on water resources. "There are a number of key energy-water nexus issues that Congress and federal agencies need to consider when developing and implementing national policies for energy and water resources," GAO wrote in its report.

It said Congress and federal agencies will need to better coordinate data sharing to develop the best policies that can maximize energy production while minimizing negative impacts to water supplies.

Aside from fracking and power plant cooling, the report also cited biofuels development as a major energy-water policy nexus that requires attention. Crops sown as

Wells Fargo hikes its 2012, 2013 gas price forecasts

Wells Fargo on Thursday raised its full-year 2012 average natural gas price forecast by 13% to \$2.73/MMBtu, citing slower production growth, rising demand from industrial customers and increased switching from coal to gas for power generation.

The investment bank's gas analyst, David Tameron, also raised his 2013 average price forecast 6% to \$3.41/MMBtu for the same reasons.

"We believe that the current pricing environment will continue to drive incremental baseload demand for natural gas, particularly in the industrial sector," Tameron said in a note to clients.

"With regard to power demand, the 2012 spike is likely a stand-out year, but attempting to normalize the coal-to-gas switching, we do project a return to more trend-like growth" in 2013, he added.

"On the supply side, we are modeling flattish production through mid/late 2013, followed by a slight decline into 2014," Tameron said.

— *Bill Holland*

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biofuels feedstock, such as corn, soybeans and switchgrass, need water to grow — up to 1,000 gallons of water for a gallon of fuel, according to some estimates.

“Although technologies and approaches exist to reduce the impact of energy development on water resources and reduce the energy needed to move, use, and treat water, their widespread adoption is inhibited by barriers such as economic feasibility and regulatory challenges,” GAO wrote.

“In implementing energy and water policies, Congress and federal agencies will also need to be cognizant of the barriers when deciding whether to promote the adoption of these technologies and approaches.”

— Herman Wang

FERC set to streamline rules for pipelines ... from page 1

The fees are assessed based on the proportion of FERC-regulated gas that a company sells and transports. A pipeline can recover these costs from its shippers either through an ACA clause or through its general transportation rates.

Right now, pipelines must file revised tariff records reflecting changes in the ACA charge. Thursday's proposal seeks to change the requirements so that pipelines no longer have to file these records.

Instead, the tariff would refer to FERC's ACA unit charge for the year, which is published on the commission's website. The change will eliminate about 145 filings each year, the proposal said.

The second proposal (RM12-17) would apply to Hinshaw and intrastate Natural Gas Act section 311 pipelines that provide interstate transportation service. It would provide a new optional procedure for these pipelines to win approval for proposed rates or operating conditions.

The proposal would deem these filings approved — without an order from FERC — if the filing is not protested within 60 days. If protests are filed and resolved in an additional 30-day reconciliation period, the filing would still be deemed approved.

“Currently our regulations permit similar prior notice blanket certificate procedures for interstate pipelines,” FERC said. The proposed rule “would similarly lessen regulatory burdens, provide increased regulatory certainty, and create an improved framework in which to achieve settlement of contested cases.”

The third proposal (RM12-15) would apply to oil pipeline rate filings. It would overhaul filing rules to eliminate obsolete sections and reorganize, update and prune these requirements, FERC said.

The proposal would remove the requirement for oil pipelines to keep a paper copy of their tariffs on hand and deliver a paper copy to customers. It also would remove certain tariff amendment requirements premised on the maintenance of paper records.

In addition, the proposal would eliminate a requirement that oil pipelines file with FERC an index of all effective tariffs and replace it with a requirement to post the index on their public websites.

It also would simplify the information that oil pipelines must include in the index, and the index would only be required for oil pipelines with more than two tariffs.

Comments on the proposals are due 30 days after publication in the *Federal Register*.

FERC last year launched a new plan to formally review its regulations every other year. The approach came in response to a 2011 executive order calling on independent regulatory agencies to issue public plans for periodic review of significant regulations that may be outmoded, ineffective, insufficient or overly burdensome.

FERC staff on Thursday released its first report under the new review plan. The 2012 biennial staff memo listed FERC rules that are ripe for review and whether each warrants more scrutiny.

FERC staff found that the certificate process for building gas facilities may be outmoded and said the commission should remove the requirement for companies to provide gas supply and market data. “While the commission previously relied on such data to assess the viability of a proposed project, it no longer

Two Marcellus producers snag capacity on NY-NJ pipeline

Two Marcellus Shale gas producers have acquired capacity on a proposed Texas Eastern Transmission pipeline expansion in New York and New Jersey, a spokeswoman for parent company Spectra Energy confirmed Thursday.

The companies are Statoil and Chesapeake Energy, the spokeswoman said in an e-mail, though she declined to say how much capacity each signed on for.

The 800,000 Dth/d pipeline, part of which would run under the Hudson River, has been vigorously protested by residents and elected officials in New York and New Jersey.

The Federal Energy Regulatory Commission in May approved the 20-mile-long, \$1.2 billion expansion that would begin in New Jersey and provide a direct connection to Manhattan. The company expects to have it in service by November 2013.

The pipeline and its potential customers were among the issues discussed Thursday morning by John Sano, the utility supervisor in the New York Public Service Commission's Office of Electric, Gas and Water.

In a hearing before the commission on winter gas supplies, Sano said Consolidated Edison has contracted for capacity on the Texas Eastern system, “but an even larger percentage of the capacity of this project has been contracted by two Marcellus Shale gas producers.”

“This shows a shift from LDC-driven projects to producer-driven projects as many Marcellus producers look for ways to get their gas to market,” Sano said.

He said the development of gas reserves in the nearby Marcellus means New York State “continues to see its situation improve regarding reliability of supply, gas commodity pricing and gas price volatility.”

Until recent years, much of New York's gas came from Canada. “Now that we can get gas abundantly here in the United States, there is no need to pay the high transportation costs on gas coming from Canada,” he said.

— Rodney White

Subscriber note: Platts to update conversion factors for oil to MMBtu

Effective November 1, 2012, Platts will update the conversion factor used to convert oil price assessments from barrels to MMBtu.

The factor applied to US Gulf Coast fuel oil and New York Harbor fuel oil assessments to convert from dollars per barrel to dollars per MMBtu will be updated from 6.287 to 6.25. The factor applied to WTI crude oil to convert from dollars per barrel to dollars per MMBtu will be updated from 5.825 to 5.8 MMBtu per barrel.

These assessments are published on Platts Natural Gas Alert page 565 and in Platts *Gas Daily* and *Energy Trader*.

Please send comments and questions to larry_foster@platts.com, and cc to pricegroup@platts.com

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does," the report said.

On the electric side, FERC staff recommended no additional changes to electric quarterly reporting, citing three pending or recently finalized proceedings on the issue. For example, the commission issued a rule (RM10-12) in September that required more entities to file quarterly reports.

— Kate Winston

API blasts 'sloppy' work on Pavillion study ... from page 1

ally consistent" with data the US Geological Survey later gathered from one of the EPA wells as part of a follow-up study.

After USGS released its data without drawing any conclusions, EPA also stood by its draft report in December linking groundwater contamination in the Pavillion area to fracking in a nearby gas field.


But Milito said API's own analysis of the data show that the USGS data does not support EPA's conclusions.

Key compounds that EPA cited in its draft report as indicators of a link to fracking "were not evident in the USGS sampling," Milito said, adding that USGS "did a better job" in collecting its samples.

Unlike EPA, which took water samples from both of its deep monitoring wells, USGS took samples from only one because it was unable to collect a representative sample from the second.

Milito blamed EPA for what he said was faulty construction of both monitoring wells and suggested that the troublesome compounds EPA found could have been the result of cross-contamination.

"EPA procedures could have introduced contaminants," he said. "We're seeing poor and sloppy work being done."



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Platts-ICE Forward Curve — Natural Gas, Oct 18 (¢/MMBtu)

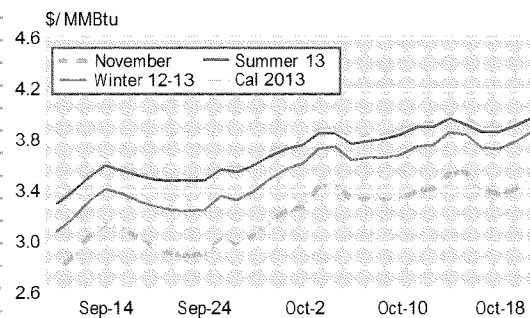
Prompt month: Nov 12

Algonquin, city-gates	111.50
Transco, zone 6-NY	29.25
Texas Eastern, M-3	24.00
Columbia Gas, Appalachia	3.00
Dominion, South Point	1.25
Transco, zone 3	-0.25
Transco, zone 4	0.50
Southern Natural, LA	-1.00
Tennessee, 500 Leg	-2.25
Florida Gas, zone 3	24.00
Trunkline, LA	-5.25
Columbia Gulf, mainline	-5.50
Houston Ship Channel	-4.50
NGPL, Texok	-4.50
Chicago city-gates	20.75
MichCon city-gate	23.75
Dawn, Ontario	49.50
Panhandle, TX-Okla.	-10.50
Northern, Ventura	14.00
Northern, demarc	13.50
Waha	-5.50
El Paso, Permian Basin	-6.00
El Paso, San Juan Basin	-6.00
PG&E city-gate	58.50
PG&E, Malin	16.50
SoCal Gas	21.25
Northwest, Rockies	3.50
Northwest, Sumas	52.00
AECO, Alberta	-17.75

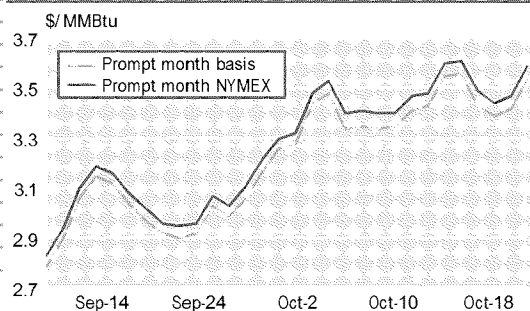
Summer season is April-October.

Winter is November-March. *Balance-of-season.

Trunkline, LA: Key packages, last 30 days



Trunkline, LA: Basis market vs NYMEX



Trunkline, LA: Forward curve

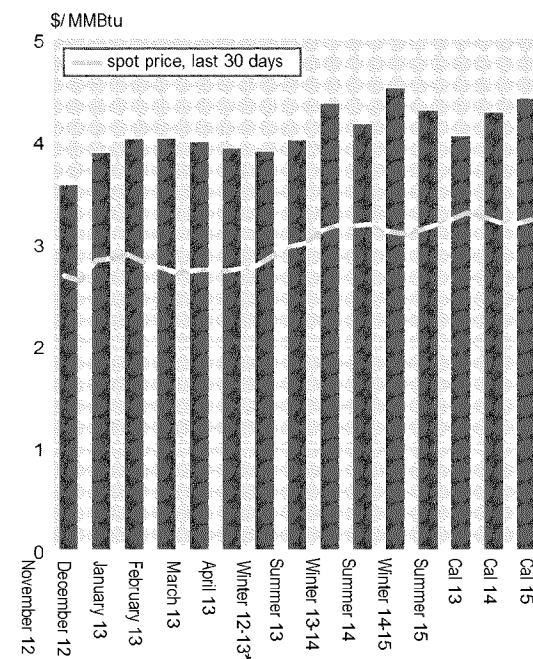


Table and graphs are created using Platts-ICE Forward Curve — Natural Gas (North America) data. Forward assessments as basis to the Henry Hub and full values are available for periods spanning three years. To see a sample and find information on how to subscribe to the full data set go to www.risk.platts.com. For more information on Platts services, please call +1-800-PLATTS8. For editorial questions call Leticia Vasquez +713-658-3259.

Milito said EPA or some other entity should drill and maintain new monitoring wells according to accepted USGS standards. "We need research done with proven scientific practices. We don't need to create flawed research."

Also Thursday, API issued a two-page review of data the USGS released last month.

"The most significant key finding of the USGS investigation at Pavillion is that most of the key indicator compounds that the EPA claims show a possible link between hydraulic fracturing and supposed groundwater contamination were not found in the USGS samples," the document says.

For example, USGS did not find glycols or 2-butoxyethanol, two substances associated with oil and gas operations that EPA reported finding in its samples. "Other materials previously found by the EPA were found at significantly lower concentrations by the USGS," according to the API review.

"In addition, USGS reported that toluene, xylene, isopropanol, diethylene glycol, triethylene glycol, and acetone were not found in groundwater" from monitoring well #1, although EPA had reported finding the compounds.

API's researchers also pointed out that neither EPA nor USGS has acknowledged that "methane, ethane, propane and similar compounds are likely naturally occurring, and many of these have been detected historically in groundwater in the Pavillion area."

In a statement Thursday, EPA spokeswoman Julia Valentine defended the agency's Pavillion findings and that EPA would submit all of the data from both agencies to an independent peer-review panel.

"EPA will also take public comment on its data and will be extending the comment period to January 15, 2013, to give stakeholders sufficient time to consider all data related to the Pavillion ... investigation," she said.

Meanwhile, Milito said the manner in which EPA conducted its groundwater testing in the Pavillion area "adds to our concerns about similar testing it is conducting in its national study" of the impact of fracking on water quality.

"Unscientific testing could produce flawed results that could result in major adverse impacts on shale energy development and the vast potential it has to contribute to US jobs, US economic recovery and US energy security," he maintained.

EPA is expected to release preliminary results of that comprehensive fracking study in December, with the final report due out in 2014.

Milito said he believes EPA is using similar methodology to that used in Pavillion in gas-producing basins across the country. But when asked, he could not say where such testing is taking place because EPA has not shared that information with API.

In a related development Thursday, Keith Guille, a spokesman for the Wyoming Department of Environmental Quality, said a 14-month study of air quality in Pavillion found no violations of ambient air quality standards.

Guille said DEQ's air quality division began monitoring the air above Pavillion last year after some residents had expressed concern about the potential impact of nearby gas drilling.

DEQ placed a mobile monitoring station downwind of Pavillion and the ener-

NYMEX Henry Hub gas futures contract, Oct 18

	Settlement	High	Low	+/-	Volume
Nov 2012	3.587	3.591	3.401	+11.7	156496
Dec 2012	3.904	3.909	3.733	+8.4	112346
Jan 2013	4.028	4.034	3.878	+7.2	50377
Feb 2013	4.036	4.041	3.891	+6.5	13995
Mar 2013	3.993	3.999	3.862	+6.3	16656
Apr 2013	3.941	3.945	3.837	+5.3	23616
May 2013	3.960	3.964	3.873	+5.2	6075
Jun 2013	3.993	3.994	3.912	+5.0	2049
Jul 2013	4.031	4.031	3.947	+4.9	1731
Aug 2013	4.048	4.050	3.969	+5.1	1663
Sep 2013	4.050	4.050	3.966	+5.2	1600
Oct 2013	4.085	4.087	3.998	+5.2	7248
Nov 2013	4.177	4.179	4.104	+4.9	2665
Dec 2013	4.361	4.361	4.287	+4.7	4871
Jan 2014	4.465	4.465	4.386	+4.6	1480
Feb 2014	4.437	4.437	4.367	+4.7	76
Mar 2014	4.345	4.345	4.287	+3.3	224
Apr 2014	4.151	4.151	4.102	+2.9	504
May 2014	4.156	4.156	4.113	+2.7	98
Jun 2014	4.175	4.175	4.175	+2.6	26
Jul 2014	4.204	4.204	4.163	+2.6	28
Aug 2014	4.222	4.222	4.204	+2.6	1
Sep 2014	4.224	4.224	4.209	+2.5	188
Oct 2014	4.262	4.262	4.238	+2.5	188
Nov 2014	4.338	4.338	4.317	+2.1	147
Dec 2014	4.525	4.525	4.500	+2.2	54
Jan 2015	4.628	4.628	4.615	+2.0	42
Feb 2015	4.593	4.600	4.593	+1.8	5
Mar 2015	4.508	4.508	4.508	+1.6	11
Apr 2015	4.288	4.288	4.288	+0.9	8
May 2015	4.302	4.302	4.302	+0.9	0
Jun 2015	4.323	4.323	4.230	+0.8	0
Jul 2015	4.360	4.360	4.360	+0.8	8
Aug 2015	4.379	4.379	4.379	+0.8	0
Sep 2015	4.382	4.288	4.288	+0.8	0
Oct 2015	4.418	4.418	4.418	+0.8	0

Contract data for Wednesday

Volume of contracts traded: 404,312

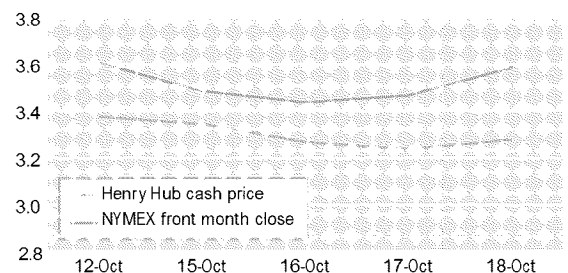
Front-months open interest:

Nov, 119,590; Dec, 145,896; Jan, 261,766

Total open interest: 1,199,233

Data is provided by a third-party vendor and is accurate as of 5:30 pm Eastern time.

Henry Hub/NYMEX spread



Platts oil prices, Oct 18

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid (1)	103.50-103.55	16.47
3% Resid (1)	96.90-96.95	15.42
Crude spot		
WTI (Nov) (2)	92.08-92.10	15.81
New York spot		
No. 2 (1)	134.90-134.94	23.16
0.3% Resid LP (3)	113.55-113.65	18.07
0.3% Resid HP (3)	108.40-108.50	17.25
0.7% Resid (3)	104.85-104.95	16.69
1% Resid (3)	101.95-102.05	16.22

1= barge delivery; 2= pipeline delivery; 3= cargo delivery

Natural gas hub flow, Oct 18

Hub Name	Scheduled Flow	+/-	% Change	Daily Price	—31 Day Average— Flow Price
ANR, La.	0	0	-	3.215	0 3.020
Dracut, Mass.	2	0	0.00	3.850	2 3.391
Florida city-gates	1,250	-26	-2.05	3.930	1,538 3.879
Iroquois, receipts	605	-153	-20.23	3.940	511 3.532
Kern River, Opal plant	571	26	4.79	3.340	603 3.070
Northern, Ventura	1,233	-74	-5.66	3.415	1,117 3.165
Northern, demarc	992	126	14.58	3.415	908 3.161
Northwest, Can. bdr. (Sumas)	1,338	0	0.00	3.470	1,338 3.004
PG&E, Malin	1,006	-11	-1.08	3.400	1,163 3.103
Stanfield, Ore.	693	0	0.00	3.370	693 3.047
Transco, zone 3	969	-57	-5.54	3.260	1,106 3.063
Transco, zone 6 N.Y.	1,220	-107	-8.04	3.420	1,175 3.227

Volumes in 000 MMBtu; prices in \$/MMBtu. For more information, contact Bill Murphy at 720-548-5485.

Source: Platts data

gy development closest to the town, according to a DEQ press release.

The monitoring station collected air quality data for ozone, oxides of nitrogen, methane and non-methane hydrocarbons and particulate matter, as well as for meteorological parameters such as rainfall, wind speed, wind direction and temperature.

DEQ will present the results of its findings in a public meeting in Pavillion on October 24, Guille said.

— Jim Magill

Storage nears 3.8 Tcf with 3 weeks left... from page 1

3.527 Tcf narrowed to 249 Bcf.

"The build continues a series of recent data that has been less sensitive to swings in temperature than anticipated, but with no clear larger pattern. This may simply be the erratic nature of demand during the 'shoulder' months, when

Estimated working gas in storage (in Bcf)			
(week ending October 12)			
	This Week	Last Week	Change
Consuming Region East	2,029	2,005	24
Consuming Region West	521	513	8
Producing Region	1,226	1,207	19
Total U.S.	3,776	3,725	51
	This Week	Prior 5-Year	
	Last Yr.	Average	
Consuming Region East	1,976	1,978	
Consuming Region West	488	477	
Producing Region	1,130	1,071	
Total U.S.	3,595	3,527	
Source: Energy Information Administration			

heating and cooling demand is relatively low," said Citi Futures Perspective analyst Tim Evans.

The storage build indicates that "the market has reached somewhat of an equilibrium, moving away from the oversupplied conditions that have plagued it since last September," said analyst Aaron Calder at Gelber & Associates. "We won't know how much of this relatively (compared to the weather)

large injection was due to weather holdover, or a move toward coal, until next week."

EIA reported a 24-Bcf injection in the East to 2.029 Tcf, compared with 1.976 Tcf a year ago, an 8-Bcf injection in the West to 521 Bcf, compared with 488 Bcf a year ago and a 19-Bcf injection in the producing region to 1.226 Tcf, compared with 1.130 Tcf a year ago.

Inventories now are 51 Bcf above the five-year average of 1.978 Tcf in the East, 44 Bcf above the five-year average of 477 Bcf in the West and 155 Bcf above the five-year average of 1.071 Tcf in the producing region.

— Stephanie Seay

Despite court ruling, group pushes House to get position limits in place

A financial reform group is pressing key House Republicans to pursue position limits in commodity markets despite a court ruling that essentially overturned them.

In a letter sent Thursday to four members of the House Committee on Financial Services, the group wrote that the imposition of position limits "is vital for the proper functioning of the commodities markets," and said the Commodity Futures Trading Commission was following the intent of Congress when it attempted to put them in place this month.

"Putting aside the court's ruling, we believe there is more than adequate evidence of excessive speculation, and more than adequate evidence that market opacity and excessive speculation have been disruptive to commodity markets and diminished confidence in these markets," the Commodity Markets Oversight Coalition wrote.

The coalition is a group of commodity end-users that includes the American Public Gas Association, Industrial Energy Consumers of America and the Petroleum Marketers Association of America.

On September 28, Judge Robert Wilkins of the US District Court for the District of Columbia threw out the CFTC's position limits rule, ordering it vacated and sent back to the commission. Wilkins ruled that the agency did not prove position limits were necessary to prevent excessive speculation in energy and commodity markets, a threshold he said was mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

CFTC Chairman Gary Gensler has said he would support an appeal of the ruling.

In its letter, the coalition called Wilkins' ruling "flawed," but pointed out that it "did not question the CFTC's authority to address excessive speculation."

— Brian Scheidt

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